

Message Text

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SUBJ: ARTICLE FOR "COMMERCE TODAY".

REF: A. STATE 102570; B. STATE 117195

FOLLOWING ARTICLE PREPARED BY COMATT FOR NEAR EAST NUMBER OF
"COMMERCE TODAY" ARTICLE APPROVED.

"ELEVEN YEARS AGO, THE SHAH OF IRAN LAUNCHED THE "WHITE REVOLUTION" WHICH LAUNCHED FAR-REACHING AND SIGNIFICANT SOCIAL, ECONOMIC AND CULTURAL CHANGES IN THE COUNTRY. AT THAT TIME THE WESTERN WORLD TOOK NOTICE OF THE EVENT TO THE EXTENT OF ROUTINE PRESS COVERAGE AND GENERALLY LET IT GO AT THAT. THE FOLLOWING YEARS SAW THE BEGINNING OF TRANSFORMATION OF LIFE IN IRAN CONSISTENT WITH THE INTENT OF THE REVOLUTION BUT ONLY MODERATELY IMPRESSIVE TO THOSE WITHOUT DIRECT AND IMMEDIATE INTEREST IN DEVELOPMENTS THERE. IN RECENT YEARS, HOWEVER, A DRAMATIC AND ALMOST EXPLOSIVE ACCELERATION IN THE GREAT MOVEMENT FORWARD HAS OCCURRED, THIS TIME HOLDING THE TOTAL AND UNDIVIDED ATTENTION OF EVERYONE CONCERNED WITH WORLD EVENTS. THE TRADE AND INVESTMENT OPPORTUNITIES THUS GENERATED ARE SPECTACULAR BUT FRAUGHT WITH PROBLEMS, LIMITATIONS, AND CHALLENGES HITHERTO NEVER SEEN IN THIS MARKET.

"THE CHANGE IS ALSO CONSISTENT WITH THE AIMS OF IRAN'S PREVIOUS PLANNERS AND DIRECTORS OF HER DESTINY BUT HAS BEEN ENLARGED AND RESHAPED BEYOND THE CONCEPTION OF OBSERVERS AND OF THOSE

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DIRECTLY INVOLVED. NATIONAL PROSPERITY HAD BEEN IMPROVING

STEADILY AT AN ANNUAL GNP GROWTH RATE OF 12 PER CENT UNTIL 1971; SUDDENLY IN 1973 OIL PRICE INCREASES MADE ALL INDICATORS TAKE A VIOLENT UPWARD TURN LEAVING IRAN (ANONG OTHERS) WITH THE SERIOUS PROBLEM OF HOW TO SPEND HER NEW-FOUND WEALTH. WITH AMAZING RESILIENCE THE NATION HAS REACTED WITH CONSTRUCTIVE AND HIGHLY AMBITIOUS PLANS TO PUSH FOR INTENSIFIED DEVELOPMENT ON ALL FRONTS. ACTION ON THE PLANS HAS BEGUN WITH INCREASING OPPORTUNITIES FOR SALES OF GOODS AND SERVICES AND INVESTMENT FOR US SUPPLIERS BEYOND THE MOST OPTIMISTIC DREAMS OF ANY PAST STUDENT OF THE MIDDLE EASTERN SCENE. SPECIFICALLY, THE SOCIAL AND ECONOMIC INFRASTRUCTURES, MILITARY ESTABLISHMENT, MANUFACTURING, DISTRIBUTION AND OTHER SERVICES SECTORS WILL ALSO UNDERGO EXPANSION AND TRANSFORMATION. THE FIRST INDICATION OF THE MAGNITUDE OF THESE CHANGES WILL BECOME KNOWN WHEN THE REVISED FIVE YEAR DEVELOPMENT PLAN (ORIGINALLY PRESENTED IN 1973) IS MADE PUBLIC. THE PLAN CALLED FOR TOTAL DEVELOPMENT EXPENDITURES OF \$32 BILLION; THE AMENDED BUDGET WILL PROBABLY BE SOME \$20 BILLION HIGHER.

"UNDER THE ORIGINAL PLAN, HEALTH CARE, EDUCATION AND HOUSING WILL ALL RECEIVE INVESTMENTS OF RESOURCES IN EXCESS OF \$15 BILLION. HEALTH CARE PROJECTS WILL INCLUDE CONSTRUCTION OF HOSPITALS AND DISPENSARIES AND UPGRADING AND RE-EQUIPMENT OF EXISTING PLANTS. IN EDUCATION, EMPHASIS WILL BE PLACED ON THE ELEMENTARY SECTION AND ON VOCATIONAL TRAINING. SEPCIFIC INNOVATIONS WILL INCLUDE THE USE OF TELEVISION AND AN EARTH SATELLITE FOR INSTRUCTION AND ON-THE-JOB TRAINING IN PLANTS ABROAD AND IN IRAN FOR TECHNICIANS AND ENGINEERS. HOUSING PROGRAMS ARE ALREADY RECEIVING TOP PRIORITY ATTENTION FROM A NUMBER OF GOVERNMENT AGENCIES AND PRIVATE GROUPS WITH INCREASING CONCENTRATION ON PREFABRICATED AND SEMI-FABRICATED SYSTEMS; SUPPLIERS AND DESIGNERS ARE BEING ASKED FOR PROPOSALS AND DETAILS, AND SERIOUS CONSIDERATION IS BEING GIVEN TO ESTABLISHMENT OF MANUFACTURING PLANTS IN IRAN.

"THE ECONOMIC INFRASTRUCTURE WILL ALSO BE RADICALLY TRANSFORMED WITH EXPANSION OF EXISTING SERVICES AND THE ADDITION OF ENTIRELY NEW ELEMENTS. PORTS, RAILWAYS, POWER, COMMUNICATIONS AND HIGHWAYS WILL ALL INCREASE THEIR CAPABILITIES AND CAPACITIES BY MULTIPLIER FACTORS REPRESENTING SEVERAL BILLION DOLLARS.

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IN HIGHWAYS ALONE, SUPER, DIVIDED FREEWAYS ARE OFF THE DRAWING BOARD AND NEARLY READY FOR CONTRACTORS TO BE INVITED TO BID. CONCOMITANTLY, A WHOLE NEW ROAD TRANSPORT SYSTEM IS BEING ORGANIZED, WITH ONE US SUPPLIER HAVING A \$50 MILLION ORDER FOR TRUCKS AND ANOTHER \$70 MILLION ALSO HAVING GONE TO AN AMERICAN TRAILER MANUFACTURER. THE FOLLOW-UP INVGLVES AN ORDER DOUBLE THE SIZE OF THE ONE DESCRIBED ABOVE AND AN OPPORTUNITY FOR THE ESTABLISHMENT OF A TRUCKING OPERATION IN THE FORM OF A JOINT

VENTURE.

"THERE ARE ANUMBER OF OTHER IMPRESSIVE PROGRAMS AND PROJECTS IN THE OFFING IN THE PRIVATE AND GOVERNMENT SECTORS (BASIC STEEL AND METALS PRODUCTION, MANUFACTURING, PETROCHEMICALS, ETC.) AND IT BEHOOVES THE ALERT US BUSINESSMAN INTERESTED IN THE MARKET TO ACQUAINT HIMSELF FULLY WITH THEM. IDEALLY, A VISIT TO IRAN IS THE MOST PRODUCTIVE WAY OF ASSESSING OPPORTUNITIES, BUT FAILING THAT, CONSTANT COMMUNICATION WITH THE DEPARTMENT OF COMMERCE OR ITS FIELD OFFICS WILL GIVE A GOOD PULSE COUNT OF THE MARKET. THIS IS PARTICULARLY IMPORTANT, NOT ONLY IN TERMS OF BEING UP TO DATE ON SAIES PROSPECTS BUT ALSO ON THE RAPID CHANGES OCCURING IN TRADE AND INVESTMENT PRACTICES AND METHODS; THE LATTER HAVE BEEN REVISED AND ALTERED TO THE POINT WHEE DOING BUSINESS IN IRAN IS FAST BECOMING AN ENTIRELY NEW PROFESSION.

"THE CHANGES ARE SOMETHING THAT OUR EXPORTERS AND INVESTORS SHOULD WATCH VERY CLOSELY AND, AS THE NEW RULES OF THE GAME DEVELOP, ADJUST TO THEM QUICKLY AND CONSTRUCTIVELY IF THEY WISH TO KEEP OR INCREASE THEIR SHARE OF THE ACTION. THE DEVELOPMENTS IN QUESTION BASICALLY INVOLVE THE REQUIREMENT THAT THE EXPORTER OR INVESTOR PARTICIPATE FULLY IN THE POST SALES APPLICATION, UTILIZATION, SERVICE MAINTENANCE AND OPEATION OF THE HARDWARE OR SYSTEMS THEY MAY BE SEELING. THIS WILL MORE OFTEN THAN NOT FACILITATE THEIR ENTRY INTO FIELDS NOT TRADITIONAL WITH THEIR COMPANIES AND WHICH INSTINCTIVELY THEY MAY TEND TO REJECT. HOWEVER, THE SIZE OF THE ORDES AND PROFITS INVOLVED WILL ACT AS AN INCENTIVE. THUS, A MANUFACTURER OF TRANSPORT EQUIPMENT WILL BE REQUIRED TO SET UP ASSEMBLY, MAINTENANCE AND TRAINING FACILITIES FOR HIS EQUIPMENT AND EVEN PARTICIPATE IN ITS EVENTUAL OPERATION IN THE CONTEXT OF A SERVICE ORGANIZATION. (THIS IS WHAT HAPPENED TO THE SUP-

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PLIER OF TRUCKS MENTIONED EARLIER.) IN OTHER AREAS SIMILAR THINGS HAVE HAPPENED AND AS A RESULT, TRADITIONAL MANUFACTURER/EXPORTERS FIND THEMSELVES PROVIDING OPERATING AND TRAINING TECHNICIANS BY THE HUNDREDS AND PURVEYING SERVICES RANGING FROM REPAIR AND MACHINE SHOP FACILITIES TO LANGUAGE AND MANAGEMENT TRAINING. DIFFICULT AND CHALLENGING? YES, BUT THE RETURNS ARE IN THE ORDER OF THE HUNDREDS OF MILLIONS OF DOLLARS. JUST ONE ILLUSTRATION SHOULD HELP TO IDENTIFY THE DIMENSIONS IN QUESTION: DURING THE PAST TWO YEARS US SUPPLIERS OF GOODS AND SERVICES HAVE CONCLUDED CERTAIN AGREEMENTS (NON-MILITARY) AND INITIATED OTHERS WHICH WILL BE CONCLUDED IN THE SHORT TERM TOTALING OVER THREE BILLION DOLLARS.

"TO SUMMARIZE, THE MARKET IS OPEN AND WAITING FOR THOSE WILLING TO BECOME TOTALLY INVOLVED IN AND COMMITTED TO IT.

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